

**SANTA BARBARA COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

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Tom Ford
Interim Retirement Administrator



BOARD OF RETIREMENT

Chair – Bernice James
Vice Chair – Joni Gray
Secretary - Donald Kendig
George Bobolia
Joseph Gallas
Julie McCammon
Vanessa Patterson
Ward Rafferty
Shawn Terris
Ronald Bruns
Frederick Tan

**MINUTES OF THE BOARD OF RETIREMENT
REGULAR MEETING
October 22, 2008
Wisteria Room at Casa Nueva
260 N. San Antonio Rd.
Santa Barbara, California**

Chair introduced new Board member Ward Rafferty Jr.

ROLL CALL 9:01 a.m.

Members Present: Bobolia, Gallas, James, Kendig, McCammon, Patterson, Rafferty,
Terris
Members Absent: Gray
Alternates Absent: Bruns, Tan
Counsel: Blakeboro
Clerk: Bignell

Trustee Gray arrived at 9:07a.m., and left at 3:43 p.m. Trustee Patterson left at 9:54 a.m.
Trustee McCammon left at 2:15 p.m.

PUBLIC COMMENT

Trustee Kendig gave an Operations Committee update.

MINUTES

1. Approve Minutes:

- a. Special Board meeting of September 19, 2008

MOTION: Adopt Minutes of Special Board meeting of September 19, 2008.

Bobolia/Kendig Approved by voice vote.
Abstain: Rafferty, Terris

CONSENT

C-4. Authorize and direct voting delegates to approve SACRS Legislative Committee recommendations.

C-6. Adopt Retirement Report.

	<u>Name</u>	<u>Dept.</u>	<u>Service Credit</u>	<u>Sick Leave Credit</u>	<u>ARC</u>
D	Steven Dastic	Fire	19.64871	0.49458	
	Nancy Garcia	Public Health	17.07241	0.01718	
	William Green	Carp-Sum Fire	20.65225	0.60106	
D	Linda Hatch	ADMHS	7.33576	0.00412	
D	Viola Holland	Social Services	19.25510	0.00008	
R	Ronald Magnuson	District Attorney	6.91373	0.11735	
D	Roberta Martinson	Public Health	7.23091	0.00287	
	John McGlinchey	Public Works	17.21754	0.01791	
D	Susan Misner	Social Services	5.66372	0.04550	
	Steve Morgan	ADMHS	14.63457	0.21349	
D	Margarita Olimpio	Social Services	6.20678	0.07355	5.00000
D Dis	Shari Pyle	Courts	9.75003	0.01706	
	Ida Reese	Courts	10.85103	0.12196	
D	Ann Schuenemann	Sheriff	5.76809	0.03928	
	Ralph Serrano	ADMHS	33.27430	0.00646	

D=Deferred
 Dis=Disabled
 R=Reciprocal

MOTION: Approve Consent Agenda Items C-4 and C-6.

Kendig/Terris Approved by unanimous voice vote of all present.

C-1. Janice Cioppa, applicant for service-connected disability retirement: receive and approve hearing officer Deborah Z. Wissley’s request for an extension of jurisdiction in which to hear this matter.

Pulled by Trustee Terris for further clarification

MOTION: Approve hearing officer Deborah Z. Wissley’s request for an extension of jurisdiction in which to hear this matter due to System Counsel’s congested calendar to March 1, 2009.

Terris/Kendig Approved by unanimous voice vote of all present.

C-2. Joseph Doderro, applicant for service-connected disability retirement: receive and approve hearing officer Deborah Z. Wissley’s request for an extension of jurisdiction in which to hear this matter.

Pulled by Trustee Terris for further clarification

MOTION: Approve hearing officer Deborah Z. Wissley’s request for an extension of jurisdiction in which to hear this matter due to a longer than usual hearing to December 8, 2008.

Terris/Gallas Approved by unanimous voice vote of all present.

C-3. Receive and file independent auditor’s letter to the Board of Retirement.

Pulled by Trustee Rafferty for further clarification

MOTION: Receive and file independent auditor's letter to the Board of Retirement.

Terris/Bobolia Approved by unanimous voice vote of all present.

- C-5. Receive report on Sustainable Investing Conference from Trustee Terris.

Pulled by Trustee Terris for further clarification

MOTION: Receive report on Sustainable Investing Conference from Trustee Terris.

Terris/Bobolia Approved by unanimous voice vote of all present.

Chair James directed staff to add Sustainable Investing as an item on the SBCERS annual retreat agenda.

INVESTMENTS

2. Receive real estate performance report from PCA Real Estate Advisors.

Austin Carmichael, Assistant Vice President, standing in for Eliza Bailey, Vice President, PCA RE, presented item and addressed issues raised by the Board.

Chair James directed staff to return with criteria developed for monitoring real estate managers.

MOTION: Receive real estate performance report from PCA Real Estate Advisors.

Terris/Gallas Approved by unanimous voice vote of all present.

3. Receive presentation from PCA Real Estate Advisors on international real estate investing.

Austin Carmichael, PCA RE, introduced Doug Herzbrun, Global Head of Research, CBRE Investors (CB Richard Ellis Investors), and Laura A. Gaylord, Managing Director, Head of Americas Client Relations, RREEF Alternative Investments. Mr. Herzbrun and Ms. Gaylord made separate presentations then addressed issues raised by the Board.

Neil Rue, Managing Director, suggested that the Board direct staff to develop policies and procedures for going global.

Trustee Terris suggested that staff include "and take appropriate action" to staff recommendations.

MOTION: Receive presentation from PCA Real Estate Advisors on international real estate investing.

Kendig/Terris Approved by unanimous voice vote of all present.

Absent: Patterson

Chair directed staff to work with PCA RE to come back first quarter 2009 with policies and procedures for a global real estate strategy.

4. Consider recommendation to modify relationship with Hamilton Lane to full discretion.

Administrator introduced item. Paul R. Yett, Managing Director, represented Hamilton Lane and addressed issues raised by the Board.

MOTION: Modify the agreement with Hamilton Lane from limited discretion to full discretion.

Terris/Gallas Approved by unanimous voice vote of all present.
Absent: Patterson

5. Consider recommendation to delay funding of PanAgora and Lord Abbett.

Administrator and Neil Rue, Managing Director, PCA, introduced item and addressed issues raised by the Board.

MOTION: Delegate staff, in consultation with State Street Global Advisors (SSgA), the funding of the system's international active allocation with the objective of minimizing transaction costs.

Kendig/Terris Approved by unanimous voice vote of all present.
Absent: Patterson

6. Consider engagement of Reed Smith as Investment Legal Counsel.

Assistant Administrator introduced item and addressed issues raised by the Board.

MOTION: Authorized the Retirement Administrator to expand the relationship with Reed Smith to include investment counsel services.

Gallas/Bobolia Approved by unanimous voice vote of all present.
Absent: Patterson

7. Receive status report on securities lending.

Administrator introduced Eli Martinez, SBCERS Accountant, who presented report. Administrator addressed issues raised by the Board.

MOTION: Receive a status report on the System's securities lending.

Gray/Kendig Approved by unanimous voice vote of all present.
Absent: Patterson

8. Discuss interest in amending current Asset Allocation.

The Board concurred with Administrator's suggestion to combine agenda items 8 and 9.

NO ACTION TAKEN

9. Initial Asset Liability modeling session.

Neil Rue, Managing Director, and Sarah Bernstein, Principal, presented the Initial Asset Liability modeling session for PCA and addressed issues raised by the Board.

MOTION: Approve PCA's recommendations to use the global equity strategic class, which based on market weighted proportions, and include a 50% TIPS 50% Hedge Fund of Funds Real Return strategic class in the Asset Liability Study model for conducting what-if scenarios for the Asset Liability review.

Kendig/Terris

Approved by unanimous voice vote of all present.

Absent: Patterson

**DISABILITY RETIREMENT
CLOSED SESSION**

10. Adopt the attached proposed Findings of Fact, Conclusions of Law and Decision granting Dianna Narron a non-service-connected disability retirement, and denying a service-connected disability retirement.

Disabilities Program Manager introduced item.

MOTION: Adopt the attached proposed Findings of Fact, Conclusions of Law and Decision granting Dianna Narron a non-service-connected disability retirement, and denying a service-connected disability retirement.

Terris/Kendig

Approved by unanimous voice vote of all present.

Absent: McCammon, Patterson

11. Receive and file Disability Applicant Status Report.

Administrator introduced Cristal Rodriguez, Disability Specialist.

Counsel Blakeboro gave an update to the Disability Applicant Status Report and addressed issues raised by the Board.

MOTION: Receive and file Disability Applicant Status Report.

Terris/Gallas

Approved by unanimous voice vote of all present.

Absent: McCammon, Patterson

**CLOSED SESSION
(2:45 p.m. – 2:57 p.m.)**

Public Employment -- Recruitment of Retirement Administrator (Government Code Section 54957(b)(1))

OPEN MEETING

Counsel Blakeboro summarized the Closed Session actions taken on the Disability Items 10 – 11 as listed above. Mr. Blakeboro then announced that with regard to the Public Employment Closed Session, no reportable action was taken.

BOARD

12. Adopt resolution amending signature authorities.

Administrator introduced item.

MOTION: Receive and file Disability Applicant Status Report.

Gallas/Gray Approved by unanimous voice vote of all present.
Absent: McCammon, Patterson

13. Consider request by Trustee Terris to attend the Annual Public Fund Board Forum.

MOTION: Approve request by Trustee Terris to attend the Annual Public Fund Board Forum.

Terris/Kendig Failed.
Yes: Kendig, Terris
No: Bobolia, Gallas, Gray, James
Abstain: Rafferty
Absent: McCammon, Patterson

14. Approve renewal of fiduciary liability insurance policy.

Administrator, Assistant Administrator, and Counsel Blakeboro addressed issues raised by the Board

MOTION: Approve renewal of fiduciary liability insurance policy and that all main fiduciaries who wish to participate in a waiver of recourse for fiduciary insurance fill out the appropriate paperwork and submit their check for \$25.

Trustee Gray requested that staff provide those participating in the waiver of recourse receive a certificate of proof.

Gallas/Gray Approved by unanimous voice vote of all present.
Absent: McCammon, Patterson

15. Authorize contract with Creative Benefits, Inc., for administration of retiree health expense reimbursement arrangement.

Administrator changed the request to authorization to negotiate with Creative Benefits, Inc., and bring back a contract to the Board.

MOTION: Authorize Administrator to negotiate with Creative Benefits, Inc., for administration of retiree health expense reimbursements.

Kendig/Terris Approved by unanimous voice vote of all present.
Absent: McCammon, Patterson

16. Receive report from Trustee Terris regarding her attendance at CALSTRS meeting and related suggestions.

Chair directed staff to including as much actuarial history as possible, and ultimately report back on recommendations presented.

MOTION: Receive report from Trustee Terris regarding her attendance at CALSTRS meeting and related suggestions.

Kendig/Gallas Approved by unanimous voice vote of all present.
Absent: Gray, McCammon, Patterson

ADMINISTRATOR

- 17. Receive and file Administrator's Report:
 - a. Portfolio Status Report
 - b. Private Equity Status Report
 - c. Department Operations

NO ACTION TAKEN

- 18. Board Presentations for next month
 - a. Lexington Capital Partners private equity report
 - b. Operations Committee updated travel and code of conduct policies
 - c. Operations Committee decision on an executive search firm
 - d. PCA RE proposed policies and procedures for going global
 - e. Hamilton Lane Summit proposal
 - f. Staff's responses to recommendations in Trustee Terris' CALSTRS report
 - g. Commission recapture report
 - h. Proxy voting report
 - i. Improved portfolio status report

CLOSED SESSION
(4:19 p.m. – 5:26 p.m.)

Conference with Legal Counsel -- Existing Litigation, *County of Santa Barbara v. Board of Retirement* (Government Code Section 54956.9(a))

OPEN MEETING

Counsel Blakeboro announced that with regard to the Existing Litigation Closed Session, no reportable action was taken.

The meeting adjourned at 5:27 p.m.

ATTEST:

Clerk

Chair

Secretary